

**FONET BİLGİ TEKNOLOJİLERİ  
ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED 31  
MARCH 2019**

**(CONVENIENCE TRANSLATION OF  
CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN  
TURKISH)**

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)  
FOR THE PERIOD ENDED 31 MARCH 2019

ASSETS	Note	31 March 2019	31 December 2018
<b>Current Assets</b>		<b>14.052.744</b>	<b>15.649.467</b>
Cash and cash equivalents	5	6.516.389	6.095.046
Financial assets	6	-	-
Trade Receivables			
- Related parties	26	-	-
- Third parties	8	5.128.081	8.498.367
Other receivables			
- Related parties	26	1.008.920	-
- Third parties	9	186.073	166.962
Inventories	10	708.417	687.865
Prepaid expenses			
- Related parties	11	-	-
- Third parties	11	436.860	162.974
Current income tax assets	27	48.340	20.789
Other current assets			
- Related parties	18	-	-
- Third parties	18	19.664	17.464
<b>Non Current Assets</b>		<b>60.510.935</b>	<b>57.245.160</b>
Financial assets	6	-	-
Trade Receivables			
- Related parties	26	-	-
- Third parties	8	-	-
Other receivables			
- Related parties	24	-	-
- Third parties	9	39.380	39.380
Right to Use Assets		1.001.515	-
Tangible fixed assets	12	4.886.579	4.651.329
Intangible assets	13	51.115.202	49.208.765
Prepaid expenses			
- Related parties	11	-	-
- Third parties	11	645.061	-
Deferred tax assets	27	2.823.198	3.345.686
Other non-current assets			
- Related parties	18	-	-
- Third parties	18	-	-
<b>TOTAL ASSETS</b>		<b>74.563.679</b>	<b>72.894.627</b>

The accompanying notes form an integral part of these consolidated financial statements.

**FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ**

**CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)  
FOR THE PERIOD ENDED 31 MARCH 2019**

(All amounts expressed in Turkish Lira (TL) unless otherwise stated. )

<b>LIABILITIES</b>	<b>Note</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
<b>Current Liabilities</b>		<b>13.738.605</b>	<b>15.778.011</b>
Short-term borrowings	7	491.022	254.899
Current portion of long-term borrowings	7	953.008	1.476.120
Other financials borrowings	7	156.707	130.097
Trade payables			
- Reletad parties	26	-	-
- Third parties	8	1.280.838	2.031.577
Other payables			
- Reletad parties	26	-	94.645
- Third parties	9	233.122	816.297
Employee benefit obligations	16	3.134.326	1.983.953
Deferred income			
- Reletad parties	11	-	-
- Third parties	11	6.607.914	7.993.086
Taxation on income	27	-	-
Short-term provisions			
- Short-term provisions for employee benefits	17	347.801	350.469
- Other short-term provisions	16	519.612	549.765
Other current liabilities			
- Reletad parties	18	-	-
- Third parties	18	14.255	97.103
<b>Non- Current Liabilities</b>		<b>4.723.933</b>	<b>4.519.571</b>
Long-term borrowings	7	709.449	46.858
Trade payables	8	-	-
- Reletad parties	28	-	-
- Third parties	9	-	-
Other payables	9	-	-
- Reletad parties	28	-	-
- Third parties	10	-	-
Deferred income			
- Reletad parties	11	-	-
- Third parties	11	1.697.917	2.263.889
Long-term provisions			
- Long-term provisions for employee benefits	17	568.273	675.428
- Other long-term provisions	16	-	-
Deferred tax liability	27	1.748.294	1.533.396
Other current liabilities	18	-	-
<b>Equity</b>		<b>56.101.141</b>	<b>52.597.045</b>
<b>Equity holders of the parent</b>		<b>56.101.141</b>	<b>52.597.045</b>
Paid-in capital	19	18.000.000	18.000.000
Share premium	19	11.496.200	11.496.200
Other comprehensive income/loss not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans	19	(393.756)	(448.017)
Other comprehensive Income/Loss to be reclassified to Profit or Loss	19	-	-
Restricted reserves allocated from profits	19	818.198	818.198
Previous year profits / (loss)	19	22.730.664	10.494.235
Net income/(loss) for the period		3.449.835	12.236.429
<b>Non-controlling interests</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>74.563.679</b>	<b>72.894.627</b>

The accompanying notes form an integral part of these consolidated financial statements.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED 31 MARH 2019

(All amounts expressed in Turkish Lira (TL) unless otherwise stated. )

PROFIT OR LOSS	Note	01.01.-31.03.2019	01.01.-31.03.2018
Sales revenue	20	10.975.736	5.944.617
Cost of sales(-)	20	(6.749.268)	(3.441.543)
<b>GROSS PROFIT / (LOSS)</b>		<b>4.226.468</b>	<b>2.503.074</b>
General aAdministrative expenses (-)	21	(1.074.338)	(1.129.151)
Marketing, selling and distribution expenses (-)	21	(263.863)	(127.708)
Research and development expenses (-)	21	-	(583.957)
Other operating incomes	22	1.228.795	303.085
Other operating expenses (-)	22	(201.088)	(81.702)
<b>OPERATING PROFIT / (LOSS)</b>		<b>3.915.974</b>	<b>883.641</b>
Income from investment activities	23	402.701	50.068
Expense from investment activities	23	-	-
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)</b>		<b>4.318.675</b>	<b>933.709</b>
Financial incomes	24	-	-
Financial expenses (-)	24	(146.758)	(154.555)
<b>PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>4.171.917</b>	<b>779.154</b>
<b>Tax Income/Expense of Continued Operations</b>		<b>(722.082)</b>	<b>(165.152)</b>
Current Income Tax Expense	27	-	-
Deferred Tax Income/(Expense)	27	(722.082)	(165.152)
<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS</b>		<b>3.449.835</b>	<b>614.002</b>
<b>Earnings per Share from Continued Operations</b>		<b>-</b>	<b>-</b>
<b>NET PROFIT/ (LOSS) FOR THE YEAR</b>		<b>3.449.835</b>	<b>614.002</b>
<b>Attributable to</b>		<b>3.449.835</b>	<b>614.002</b>
Non-controlling interest		-	-
Equity holders of the parent		3.449.835	614.002
<b>Earnings per Share from Continued Operations</b>	28	<b>0,19</b>	<b>0,03</b>
<b>NET PROFIT/ (LOSS) FOR THE YEAR</b>		<b>3.449.835</b>	<b>614.002</b>
<b>OTHER COMPREHENSIVE INCOME /(LOSS)</b>			
<b>Not to be reclassified to profit or loss</b>			
-Actuarial gain/loss arising from defined benefit plans	25	69.565	(95.100)
-Tax (expense)/income of other comprehensive income	25	(15.304)	19.020
<b>To be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
Currency translation tdjustment		-	-
<b>OTHER COMPREHENSIVE INCOME /(LOSS)</b>		<b>54.261</b>	<b>(76.080)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3.504.096</b>	<b>537.922</b>
<b>Attributable to</b>		<b>3.449.835</b>	<b>-</b>
Non-controlling interest		-	-
Equity holders of the parent		3.449.835	-

The accompanying notes form an integral part of these consolidated financial statements.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2019

(All amounts expressed in Turkish Lira (TL) unless otherwise stated. )

	Not	Paid Capital	Share premium	Other comprehensive income/loss not to be reclassified to profit or loss		Other comprehensive Income/Loss to be reclassified to Profit or Loss	Restricted reserves allocated from profits	Retained Earnings		Equity holders OF Parent	Non-controlling interest	Total equity
				Other Gains (Losses)	Actuarial gain/(loss) arising from defined benefit plans			Previous year profits / (loss)	Net income/(loss) for the period			
<b>Balances at 01 January 2018</b>	<b>19</b>	<b>18.000.000</b>	<b>11.496.200</b>	-	(270.342)	-	590.856	6.624.152	4.097.425	40.538.291	-	40.538.291
Capital increase,s cash		-	-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	227.342	3.870.083	(4.097.425)	-	-	-
Total comprehensive income / (loss)												
Net Profit / (Loss) for The Year		-	-	-	-	-	-	-	614.002	614.002	-	614.002
Other comprehensive income / (loss)		-	-	-	(76.080)	-	-	-	-	(76.080)	-	(76.080)
<b>Balances at 31 March 2018</b>	<b>19</b>	<b>18.000.000</b>	<b>11.496.200</b>	-	(346.422)	-	818.198	10.494.235	614.002	41.076.213	-	41.076.213
<b>Balances at 01 January 2019</b>	<b>19</b>	<b>18.000.000</b>	<b>11.496.200</b>	-	(448.017)	-	818.198	10.494.235	12.236.429	52.597.045	-	52.597.045
Capital increase,s cash		-	-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	-	614.002	(614.002)	-	-	-
Total comprehensive income / (loss)												
Net Profit / (Loss) for The Year		-	-	-	-	-	-	-	3.449.835	3.449.835	-	3.449.835
Other comprehensive income / (loss)		-	-	-	54.261	-	-	-	-	54.261	-	54.261
<b>Balances at 31 March 2019</b>	<b>19</b>	<b>18.000.000</b>	<b>11.496.200</b>	-	(393.756)	-	818.198	11.108.237	15.072.262	56.101.141	-	56.101.141

The accompanying notes form an integral part of these consolidated financial statements.

**FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019**  
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	01.01.-31.03.2019	01.01.-31.03.2018
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit /(Loss) Before Tax		<b>3.449.835</b>	<b>614.002</b>
<b>Adjustments to Reconcile Cash Flow Generated from Operating Activities:</b>			
Adjustments for depreciation and amortization	12-13	1.229.374	862.737
Adjustments for provision for employee benefits	17	55.083	(55.706)
Adjustments for provision for law suits	16	(30.153)	(110.350)
Adjustment for deferred financing expenses	8	(98.918)	(19.566)
Adjustment for deferred financing incomes	8	318.477	33.099
Adjustments for provision for doubtful receivables	8	309.004	-
Adjustments for interest expense	24	102.488	127.877
Adjustments for deferred income	11	8.138.889	-
Adjustments for tax income/ (loss)	27	722.082	165.152
<b>Operating Profit before Working Capital Changes</b>		<b>14.196.161</b>	<b>1.617.245</b>
Adjustments for decrease (increase) in trade receivables	8	2.742.805	677.025
Change in other receivables	9	(1.028.031)	148.584
Adjustments for decrease (increase) in inventories	10	(20.552)	(23.285)
Adjustments for increase (decrease) in trade payables	8	(651.821)	(276.464)
Change in other payables	9	(677.820)	(31.174)
Increase (decrease) in employee benefit liabilities	17	1.150.373	51.671
Change in other current and non-current assets		(10.089.102)	195.335
Change in short-term and long-term liabilities		(2.033.992)	4.429
<b>Cash Flows Generated From Operating Activities</b>		<b>3.588.021</b>	<b>2.363.366</b>
Paid related to employee benefits	17	(95.341)	(17.667)
Tax expenses (-)	27	-	-
<b>Net Cash Generated From Operating Activities</b>		<b>3.492.680</b>	<b>2.345.699</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash Provided from Sales of tangible fixed assets	12	-	-
Cash Provided from sales of intangible fixed assets	13	-	-
Cash outflows arising from purchase of fixed assets	12	(472.897)	(884.777)
Cash outflows arising from purchase of intangible fixed assets	13	(2.898.164)	(3.427.546)
<b>Net Cash Used In Investing Activities</b>		<b>(3.371.061)</b>	<b>(4.312.323)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash provided from stock issuance		-	-
Interest received	24	-	-
Interest paid	24	(102.488)	(127.877)
Change in borrowings	7	402.212	(426.701)
<b>Net Cash Used in Financing Activities</b>		<b>299.724</b>	<b>(554.578)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	5	421.343	(2.521.202)
<b>Cash And Cash Equivalents At The Beginning Of The Peric</b>	5	6.095.046	3.295.265
<b>Cash And Cash Equivalents At The End Of The Period</b>		<b>6.516.389</b>	<b>774.063</b>

The accompanying notes form an integral part of these consolidated financial statements.

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Fonet Bilgi Teknolojileri Anonim Şirketi ( “The Company”) has been founded in 1997 to provide computer software and technical support (designing, developing, implementing, operating, maintaining and consulting services in information technology) to Public and Private Institutions.

The Company is located and providing its main services Kızılırmak Mah. Ufuk Üniversitesi Cad. 1445 Sokak No:2 The Paragon Tower İş Merkezi B Blok 1-6 Çukurambar Çankaya Ankara – TURKEY. Besides the Company has also branches in Istanbul and Şanlıurfa.

The central address has been rented for 5 year with an agreement signed in 15.08.2017.

The Company provides information management systems, system integration, consultancy and turnkey project services in the field of health informatics. Its main activity area is health informatics. The Company also participates in different IT projects related to field expertise.

The Company’s main brand is hospital information management system (Fonet HBYS). Fonet HBYS enables the management of hospitals' business processes within the automation system. Fonet HBYS consists of approximately 52 separate software modules. All of the software modules belong to Fonet.

The average number of employee working in the Company as of 31 March 2019 is 123 (31 December 2018: 113).

Detailed information about the personnel is as follows

	<b>31 March 2019</b>	<b>31 December 2018</b>
Permanent contracted personnel of the company	123	113
Determined time contract personnel of the Company within the scope of contracts with hospitals	346	341
<b>Total</b>	<b>469</b>	<b>454</b>

The Shaheholders structure of The Company is as follow :

<b>Shareholders</b>	<b>31 March 2019</b>		<b>31 December 2018</b>	
	<b>Share Amount</b>	<b>Rate %</b>	<b>Share Amount</b>	<b>Rate %</b>
Abdülkerim GAZEN	10.500.000	58,33%	10.500.000	58,33%
Publicly traded	7.500.000	41,67%	7.500.000	41,67%
<b>Total paid capital</b>	<b>18.000.000</b>	<b>100,00%</b>	<b>18.000.000</b>	<b>100,00%</b>

The Company’s issued capital consists of 18.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2019 (31 December 2018: 18.000.000 shares).

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253.

The Company’s registered capital ceiling amount is 100.000.000 TL, , all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2019-2023.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 2017. As of March 31, 2019, the publicly listed shares are 41,67% of the total shares. (December 31, 2018: 41,67%



**1. ORGANIZATION AND OPERATIONS OF THE GROUP (Cont’d)**

After the capital increase, 1.000.000 shares of the 18,000,000 shares are Group A and 17.000.000 shares are Group B. The Group A shares have the privilege regarding the determination of the members of the board of directors and the right to vote in the general assembly.

At the ordinary and extraordinary general assembly meetings to be held by the Company, group (A) shareholders have 15 voting rights for each share, and Group (B) shareholders have 1 voting right for each share.

**Consolidated subsidiary details are as follows:**

Pidata Bilişim Teknolojileri Anonim Şirketi (“Pidata”), was established on 16 July 2018 and registered in Ankara. The establishing of the company was announced in the Turkish Trade Registry Gazette dated July 19, 2018 and numbered 9624. All of the shares of Pidata belong to The Fonet. From now on, it will be referred as “Group” or “Community” together with Fonet and Pidata

<b>Company Title</b>	<b>Main operating activity</b>	<b>Main operating activity Type</b>	<b>Country</b>	<b>Established Year</b>
Pidata Bilişim Teknolojileri A.Ş.	Information Technology	Service	Türkiye/Ankara	2018

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS****2.1. Financial reporting standards**

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/IFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published by POA and the format and mandatory information recommended by CMB.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision. Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

**Comparative Information**

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

**Currency Used In The Financial Statements**

The financial statements of the Company is presented in the currency (functional currency) of the economic environment in which the Company operate. Financial position and results of operations of the Company are stated in Turkish Lira (TL) which is the Company’s ruling currency and presentation currency for financial statements.

**Going concern**

The Group prepared consolidated financial statements in accordance with the going concern assumption.

**Netting/Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

**Statement of Compliance to The TFRS**

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

For the nine month period ended 31 March 2019, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements, as at 31 December 2018.

**3. BUSINESS COMBINATION**

There is none (31 December 2018: None).

**4. SEGMENTAL REPORTING**

There is none (31 December 2018: None).

**5. CASH AND CASH EQUIVALENTS**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Cash	7.420	431
Banks		
Time Deposit	161.551	299.876
Demand Deposit	6.347.418	5.794.739
<b>Total</b>	<b>6.516.389</b>	<b>6.095.046</b>

The Company's time deposits are approximately 2 to 32 days in maturity, the currency of time deposits are Turkish Lira.

**6. FINANCIAL ASSETS**

There is none (31 December 2018: None).

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019  
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

## 7. FINANCIAL LIABILITIES

### Short term financial liabilities

	31 March 2019	31 December 2018
Bank borrowings	190.567	254.899
Short term liabilities of long term liabilities	953.008	1.476.120
Liabilities arising from renting	300.455	-
Other financial liabilities	156.707	130.097
<b>Total</b>	<b>1.600.737</b>	<b>1.861.116</b>

### Long term financial liabilities

	31 March 2019	31 December 2018
Bank borrowings	8.389	46.858
Liabilities arising from renting	701.060	-
<b>Total</b>	<b>709.449</b>	<b>46.858</b>

The redemption schedule of bank borrowings are as follows:

	31 March 2019	31 December 2018
0-3 mont	846.053	819.920
3-12 month	454.229	1.041.196
1-5 year	8.389	46.858
More than 5 year	-	-
<b>Total</b>	<b>1.308.671</b>	<b>1.907.974</b>

The redemption schedule of liabilities arising from renting are as follows:

	31 March 2019	31 December 2018
0-3 mont	75.114	-
3-12 month	225.341	-
1-5 year	701.060	-
More than 5 year	-	-
<b>Total</b>	<b>1.001.515</b>	<b>-</b>

## 8. TRADE RECEIVABLES AND TRADE PAYABLES

### Short- Term Trade Receivables

	31 March 2019	31 December 2018
Trade receivables	5.525.780	9.257.178
Notes receivables	-	-
Deferred financing incomes (-)	(88.695)	(318.477)
Provision for doubtful receivables (-)	(309.004)	(440.334)
<b>Total</b>	<b>5.128.081</b>	<b>8.498.367</b>

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

Movements of the provision for doubtful receivables are as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Beginning of the period	440.334	147.248
Increases during the period	-	362.048
Less; collections (-)	(131.330)	(68.962)
Less; deducted from legal records	-	-
<b>End of the period</b>	<b>309.004</b>	<b>440.334</b>

### Long-Term Trade Receivables

There is none (31 December 2018: None).

### Short Term Liabilities

	<b>31 March 2019</b>	<b>31 December 2018</b>
Trade payables	141.352	1.995.995
Notes payables	1.271.843	134.500
Deferred financing incomes (-)	(132.357)	(98.918)
<b>Total</b>	<b>1.280.838</b>	<b>2.031.577</b>

### Long Term Liabilities

There is none (31 December 2018: None).

## 9. OTHER RECEIVABLES AND PAYABLES

### Other Short- Term Receivables

	<b>31 March 2019</b>	<b>31 December 2018</b>
Deposits and guarantees given	166.623	149.362
Due from personnel	19.450	17.600
Other sundry receivables	-	-
<b>Total</b>	<b>186.073</b>	<b>166.962</b>

### Long Short- Term Receivables

	<b>31 March 2019</b>	<b>31 December 2018</b>
Deposits and guarantees given	39.380	39.380
<b>Total</b>	<b>39.380</b>	<b>39.380</b>

### Other Short- Term Liabilities

	<b>31 March 2019</b>	<b>31 December 2018</b>
Taxes and funds payables	166.685	815.021
Other sundy payables	66.437	1.276
<b>Total</b>	<b>233.122</b>	<b>816.297</b>

### Other Long- Term Liabilities

	<b>31 March 2019</b>	<b>31 December 2018</b>
Other sundy payables	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019  
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

## 10. INVENTORIES

	31 March 2019	31 December 2018
Merchandises	708.417	687.865
<b>Total</b>	<b>708.417</b>	<b>687.865</b>

Trade goods consist of the hardware and software inventories for various projects the Company has acquired.

## 11. PREPAID EXPENSES and DEFERRED INCOMES

### Short-Term Prepaid Expenses

	31 March 2019	31 December 2018
Prepaid expenses	393.777	111.711
Advances given	7.887	126
Advances given for business purposes	35.196	51.137
<b>Total</b>	<b>436.860</b>	<b>162.974</b>

### Long-Term Prepaid Expenses

	31 March 2019	31 December 2018
Prepaid expenses	645.061	-
<b>Total</b>	<b>645.061</b>	<b>-</b>

### Short-Term Deferred Incomes

	31 March 2019	31 December 2018
Order advances received	137.241	137.241
The part of the service to be provided by the contracts in the next months	6.440.972	7.833.333
Other	29.701	22.512
<b>Total</b>	<b>6.607.914</b>	<b>7.993.086</b>

### Long-Term Deferred Incomes

	31 March 2019	31 December 2018
The part of the service to be provided by the contracts in the next years	1.697.917	2.263.889
<b>Total</b>	<b>1.697.917</b>	<b>2.263.889</b>

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019  
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

## 12. TANGIBLE FIXED ASSETS

	31.12.2018			31.03.2019	
Tangible fixed assets	Balance	Additions	Disposal	Balance	
Property, plant and equipment	1.500.000	-	-	1.500.000	
Machinery and equipment	216.915	-	-	216.915	
Vehicles	1.166.428	263.408	-	1.429.836	
Furniture and fittings	2.936.223	207.531	-	3.143.754	
Leasehold improvements	1.270.878	1.958	-	1.272.836	
<b>Total</b>	<b>7.090.444</b>	<b>472.897</b>	<b>-</b>	<b>7.563.341</b>	
<b>Accumulated depreciation</b>					
Property, plant and equipment	(240.000)	(7.500)	-	(247.500)	
Machinery and equipment	(216.915)	-	-	(216.915)	
Vehicles	(223.322)	(65.865)	-	(289.187)	
Furniture and fittings	(1.266.227)	(115.209)	-	(1.381.436)	
Leasehold improvements	(492.651)	(49.073)	-	(541.724)	
<b>Total</b>	<b>(2.439.115)</b>	<b>(237.647)</b>	<b>-</b>	<b>(2.676.762)</b>	
<b>Tangible fixed assets, net</b>	<b>4.651.329</b>			<b>4.886.579</b>	

	31.12.2017	Consolidated			31.12.2018
Tangible fixed assets	Balance	subsidiary effect	Additions	Disposal	Balance
Property, plant and equipment	1.500.000	-	-	-	1.500.000
Machinery and equipment	216.915	-	-	-	216.915
Vehicles	475.441	-	690.987	-	1.166.428
Furniture and fittings	2.572.616	16.764	346.843	-	2.936.223
Leasehold improvements	323.254	84.377	863.247	-	1.270.878
<b>Total</b>	<b>5.088.226</b>	<b>101.141</b>	<b>1.901.077</b>	<b>-</b>	<b>7.090.444</b>
<b>Accumulated depreciation</b>					
Property, plant and equipment	(210.000)	-	(30.000)	-	(240.000)
Machinery and equipment	(216.915)	-	-	-	(216.915)
Vehicles	(103.617)	-	(119.705)	-	(223.322)
Furniture and fittings	(867.454)	(1.282)	(397.491)	-	(1.266.227)
Leasehold improvements	(323.141)	(4.304)	(165.206)	-	(492.651)
<b>Total</b>	<b>(1.721.127)</b>	<b>(5.586)</b>	<b>(712.402)</b>	<b>-</b>	<b>(2.439.115)</b>
<b>Tangible fixed assets, net</b>	<b>3.367.099</b>			<b>4.651.329</b>	

As of 31 March 2019 total insurance coverage on property, plant and equipment amounts to 800.000 TL

The machinery and equipment have been amortized as of balance sheet dates.

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019  
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

## 13. INTANGIBLE FIXED ASSETS

Intangible Fixed Assets	01.01.2018			31.12.2018			31.03.2019
	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance
Rights	6.451.694	-	-	6.451.694	6.300	-	6.457.994
Development costs ".net based HBYS"	4.588.814	-	-	4.588.814	-	-	4.588.814
Development costs "New HBYS working on cloud system based on JAVA"	31.279.087	17.479.646	-	48.758.733	2.891.864	-	51.650.597
Other intangible assets	2.359.050	-	-	2.359.050	-	-	2.359.050
<b>Total</b>	<b>44.678.645</b>	<b>17.479.646</b>	<b>-</b>	<b>62.158.291</b>	<b>2.898.164</b>	<b>-</b>	<b>65.056.455</b>
<b>Accured Depreciation</b>							
Rights	(4.435.430)	(268.823)	-	(4.704.253)	(67.416)	-	(4.771.669)
Development costs ".net tabanlı HBYS"	(2.365.734)	(382.401)	-	(2.748.135)	(95.600)	-	(2.843.735)
Development costs "New HBYS working on cloud system based on JAVA"	(499.410)	(2.638.678)	-	(3.138.088)	(828.711)	-	(3.966.799)
Other intangible assets	(2.359.050)	-	-	(2.359.050)	-	-	(2.359.050)
<b>Total</b>	<b>(9.659.624)</b>	<b>(3.289.902)</b>	<b>-</b>	<b>(12.949.526)</b>	<b>(991.727)</b>	<b>-</b>	<b>(13.941.253)</b>
<b>Intangible Fixed Assets, net</b>	<b>35.019.021</b>			<b>49.208.765</b>			<b>51.115.202</b>

The company capitalises cost of the new HIS program running on Java-based cloud architecture. These costs consist of outsourced services and personnel costs in software development, project implementation and system support departments.

The capitalization amounts during the period are as follows:

	01.01.-31.03.2019	01.01.-31.12.2018
Personnel costs (the personnels work on software development, project implementation and system support departments)	2.891.864	8.960.647
Outsourced costs	-	8.518.999
<b>Total</b>	<b>2.891.864</b>	<b>17.479.646</b>

(\*) Development costs "based .net" are belong to previous years' cost that The Company finalized its development activities since 2013.

All other intangible assets (web portals) have been amortized.

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### 14. RIGHT-OF-USE ASSETS

	01.01.2019		31.03.2019	
	Balance	Additions	Disposal	Balance
Buildings	-	1.053.170		1.053.170
Buildings depreciations	-	(51.655)		(51.655)
<b>Net book value</b>		<b>1.001.515</b>		<b>1.001.515</b>

#### Company in the case of tenant

The Company has 1 lease agreement that is subject to operating leases. The details of the mentioned lease agreements are as follows. The term of the contract is five years.

Leased Location	Contract Start Date	Contract Date of Completion	Monthly Rent Amount	Yearly Rent Amount
Commercial Building - The Paragon Business Center	15.08.2017	15.08.2022	34.531	414.372

### 15. GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Taxes and funds exemptions for R&D centres which are regulated under research and development law.
- Cash refund from Tübitak - Teydeb for research and development expenses,

### 16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

#### Other Short-Term Provisions

	31 March 2019	31 December 2018
Provisions for law suits	519.612	549.765
<b>Total</b>	<b>519.612</b>	<b>549.765</b>

As of the date of this report, summary information about the Company related to litigation and execution are as follows:

	Number	Amount
Ongoing lawsuits on behalf of the Company	6	140.195
Ongoing execution proceedings	10	371.040
Ongoing lawsuits against the Company	45	577.346
Ongoing enforcement proceedings	4	194.997

The Company management has made provision in the financial statements, the amount of 519.612 TL (Prior period: 549.765 TL) for the ongoing lawsuits.

#### Other LongTerm Provisions

There is none (31 December 2018: None).



# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### Contingent Assets

There is none (31 December 2018: None).

### Contingent Liabilities

	<b>31 March 2019</b>	<b>31 December 2018</b>
Guarantees given	10.452.384	9.421.329
Mortgages given	-	-
<b>Total</b>	<b>10.452.384</b>	<b>9.421.329</b>

Collaterals, pledges and mortgages (CPM's) given by the Company are as follows;

	<b>31 March 2019</b>	<b>31 December 2018</b>
A. CPM's given on behalf of own corporate entities	10.452.384	9.421.329
B. CPM's given on behalf of fully consolidated subsidiaries	-	-
C. CPM's given for continuation of its economic activities on behalf of third parties.	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
<b>Total</b>	<b>10.452.384</b>	<b>9.421.329</b>

## 17.EMPLOYEE BENEFIT OBLIGATIONS

### Employee Benefit Obligations

	<b>31 March 2019</b>	<b>31 December 2018</b>
Payables due to personnel	1.665.286	1.362.243
Social security withholdings payables	1.469.040	621.710
<b>Total</b>	<b>3.134.326</b>	<b>1.983.953</b>

### Provision for employee termination benefits

	<b>31 March 2019</b>	<b>31 December 2018</b>
Provisions for unused vacations	347.801	350.469
<b>Total</b>	<b>347.801</b>	<b>350.469</b>

Movements in the provisions for unused vacations are as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
As at 1 January	350.469	125.672
Reversal	(350.469)	(125.672)
Additions	347.801	350.469
<b>End of the period</b>	<b>347.801</b>	<b>350.469</b>

### Retirement Pay Provisions

	<b>31 March 2019</b>	<b>31 December 2018</b>
Provision for employee termination benefits	568.273	675.428
<b>Total</b>	<b>568.273</b>	<b>675.428</b>

**Retirement Pay Provisions**

Under the Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age. Severance payment provision is calculated as 30 days gross salary for each service year.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 (“Employee Benefits”) stipulates the development of Company’s liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

	<b>31 March 2019</b>	<b>31 December 2018</b>
Net discount rate (%)	% 3,49	% 2,01
	<b>31 March 2019</b>	<b>31 December 2018</b>
Beginning of the period	675.428	558.242
Increases during the period	37.937	46.593
Intrereast expense	19.814	13.587
Actuarial profit /(loss)	(69.565)	227.788
Payments during the year	(95.341)	(170.782)
<b>End od the period</b>	<b>568.273</b>	<b>675.428</b>

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6.017,60 which has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

Amount of payable consist of one month’s salary limited to a maximum of full 6.017,6 TL as of 31 March 2019 (31 December 2018: 5.434,42 TL).

**18. OTHER ASSETS AND LIABILITIES****Other current assets**

	<b>31 March 2019</b>	<b>31 December 2018</b>
VAT carried forward	19.664	17.464
<b>Total</b>	<b>19.664</b>	<b>17.464</b>

**Other non-current assets**

There is none (31 December 2018: None)

**Other short-term liabilities**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Other	14.255	97.103
<b>Total</b>	<b>14.255</b>	<b>97.103</b>

**Other long-term liabilities**

There is none (31 December 2018: None)

**19.EQUITY**

The Shareholders structure of The Company is as follow :

Shareholders	31 March 2019		31 December 2018	
	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	10.500.000	58,33%	10.500.000	58,33%
Publicly traded	7.500.000	41,67%	7.500.000	41,67%
<b>Total paid capital</b>	<b>18.000.000</b>	<b>100,00%</b>	<b>18.000.000</b>	<b>100,00%</b>

The Company’s issued capital consists of 18.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2019 (31 December 2018: 18.000.000 shares).

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253.

The Company’s registered capital ceiling amount is 100.000.000 TL, , all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling is between 2019-2023.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 2017. As of March 31, 2018, the publicly listed shares are 41,67% of the total shares. (December 31, 2016: 25.15%)

After the capital increase, 1.000.000 shares of the 18,000,000 shares are Group A and 17.000.000 shares are Group B. The Group A shares have the privilege regarding the determination of the members of the board of directors and the right to vote in the general assembly.

At the ordinary and extraordinary general assembly meetings to be held by the Company, group (A) shareholders have 15 voting rights for each share, and Group (B) shareholders have 1 voting right for each share.

**Share Premium**

	31 March 2019	31 December 2018
Share premium (*)	11.496.200	11.496.200
<b>Total</b>	<b>11.496.200</b>	<b>11.496.200</b>

(\*) In the prior period, the Company has issued shares to be traded on the stock exchange, and the issued shares are sold at higher prices above their nominal values. expenses related to these issues are reflected in the financial statements under equity.

**Other comprehensive income/loss not to be reclassified to profit or loss**

	31 March 2019	31 December 2018
Actuarial gain/loss	(393.756)	(448.017)
<b>Toplam</b>	<b>(393.756)</b>	<b>(448.017)</b>

Movements of the actuarial gain /(loss) are as follows:

	31 March 2019	31 December 2018
Beginning of the period	(448.017)	(270.342)
Increases during the period	54.261	(177.675)
<b>End of the period</b>	<b>(393.756)</b>	<b>(448.017)</b>

**Other comprehensive Income/Loss to be reclassified to Profit or Loss**

There is none (31 December 2018: None)

**Restricted Reserves Allocated From Profits**

	<b>31 March 2019</b>	<b>31 December 2018</b>
Legal reserves	818.198	818.198
<b>Total</b>	<b>818.198</b>	<b>818.198</b>

The Turkish Commercial Code (“TCC”) stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

	<b>31 March 2019</b>	<b>31 December 2018</b>
Beginning of the period	10.494.235	6.624.152
Previous year profits / (loss)	12.236.429	4.097.425
Transfer to the capital	-	-
Transfer to the legal reserves	-	(227.342)
Dividends	-	-
<b>Previous year profits / (loss)</b>	<b>22.730.664</b>	<b>10.494.235</b>

**20.SALES (REVENUES) AND COST OF SALES (-)**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
<b>Sales, (Revenues)</b>		
Domestic sales	10.854.235	5.861.772
Exports	121.501	83.128
Other income	-	-
<b>Total revenues</b>	<b>10.975.736</b>	<b>5.944.900</b>
Sales returns	-	(283)
Less, discounts	-	-
Other discounts	<b>10.975.736</b>	<b>5.944.617</b>
	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Cos of services sold	5.722.766	2.568.901
Cost of merchandises sold	77.075	9.905
Cost of other sales	-	-
VI-Depreciations	949.427	862.737
<b>Cost of Sales</b>	<b>6.749.268</b>	<b>3.441.543</b>
	-	-
<b>Gros Profit / (Loss)</b>	<b>4.226.468</b>	<b>2.503.074</b>

**21.RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATION EXPENSES**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
General administrative expenses	1.074.338	1.129.151
Marketing expenses (-)	263.863	127.708
Research Expenses	-	583.957
<b>Total</b>	<b>1.338.201</b>	<b>1.840.816</b>

**22.OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES****Other income from operating activities:**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Incentive revenues	479.353	108.535
Deferred financing expenses	10.857	19.566
Reversals of deferred financing income	132.357	53.463
Reversal of provisions for doubtful receivables	131.330	-
Other	474.898	121.521
<b>Total</b>	<b>1.228.795</b>	<b>303.085</b>

469.865 TL of the incentive income is comprised of research and development incentive income within the scope of Law No. 5746 and TL 9.488 from other incentive income.

**Other expenses from operating activities:**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Deferred financing income	88.695	33.099
Reversals of deferred financing expenses	98.918	39.652
Provisions for doubtful receivables	-	-
Provisions for law suits	-	-
Other	13.475	8.951
<b>Total</b>	<b>201.088</b>	<b>81.702</b>

**23. INCOMES and EXPENSES FROM INVESTING ACTIVITIES****Income from investing activities**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Interest incomes	402.701	50.068
Incomes on sales of fixed assets	-	-
<b>Total</b>	<b>402.701</b>	<b>50.068</b>

**Expense from investing activities**

There is none (01.01.-31.03.2018: None)

**24. FINANCIAL INCOMES and EXPENSES****Financial Incomes**

There is none (01.01.-31.03.2018: None)

**Financial Losses (-)**

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Interest expenses	102.488	127.877
Commission expenses	39.739	26.678
Other	4.531	-
<b>Total</b>	<b>146.758</b>	<b>154.555</b>

**25. ANALYSIS OF OTHER COMPREHENSIVE INCOME MATERIALS****Other comprehensive income/loss not to be reclassified to profit or loss**

In this item, other items of comprehensive income, such as the following are defined as other items of comprehensive income and reported as equity items in the period in which they arise and in no case be transferred to profit or loss, are followed:

	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Actuarial gain/loss	69.565	(95.100)
Deferred tax arising from actuarial gain/loss	(15.304)	19.020
<b>Total</b>	<b>54.261</b>	<b>(76.080)</b>

**Other comprehensive Income/Loss to be reclassified to Profit or Loss**

There is none (01.01.-31.03.2018: None)

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### 26. RELATED PARTIES

For the purpose of these financial statements, shareholders, key executives, board members, their families and companies are regarded as related parties and affiliates.

#### Receivables from related parties:

Shareholders	31 March 2019		31 December 2018	
	Trade	Other	Trade	Other
Abdülkerim GAZEN	-	1.008.920	-	-
<b>Total</b>	<b>-</b>	<b>1.008.920</b>	<b>-</b>	<b>-</b>

#### Payables to related parties:

Shareholders	31 March 2019		31 December 2018	
	Trade	Other	Trade	Other
Abdülkerim GAZEN	-	-	-	94.645
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94.645</b>

### 27. TAX ASSETS AND LIABILITIES

#### Current income tax assets

	31 March 2019	31 December 2018
Corporate tax	-	-
Prepaid tax and other legal payables (-)	48.340	20.789
<b>Period profit tax liability</b>	<b>48.340</b>	<b>20.789</b>

#### Corporate Tax

The corporate tax rate is 22 % in the year 2019 in Turkey. The corporate tax rate which will be realized over the corporate earnings that is subject to taxation, is calculated over the tax assessment after adding the non-deductible expenses and deducting the tax- exempt profit, income that are not subject to taxation and other discounts (if there is previous year losses and utilized investment discounts).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

According to Turkish tax legislation, tax returns, financial losses on income for the period, not exceeding 5 years. However, it is not permitted to deduct loss from retained earnings. There is no any implementation with the tax authorities in Turkey about the tax payments to reach a mutual understanding. The corporate tax return must be filed by the 25th day of the fourth month after the end of the company's accounting period. Furthermore, tax authorities has the authority to inspect the accounting records in 5 year. In case the tax authority ascertains any faulty in records, the amount of tax that will be paid can change.

Tax Provisions in Income Statements	01.01.-31.03.2019	01.01.-31.03.2018
Tax for the period	-	-
Deferred tax income / (charge)	(722.082)	(165.152)
<b>Total</b>	<b>(722.082)</b>	<b>(165.152)</b>

# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019 (Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

### Deferred Tax

Company is entering the deferred tax assets and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Accounting Standards (“TAS”). These differences generally arise, because some of the income and expense items’ amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TAS and it is specified below.

Tax rate for calculating deferred tax assets and liabilities is %22 at 31 March 2019 (31 December 2018: 20 %).

	Temporary Differences		Deferrd tax	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<b>Deferred tax assets</b>				
Unearned finans expenses	88.695	318.477	19.511	70.068
Provision for doubtful receivables	309.004	440.334	67.981	96.873
Adjustment for depreciations	231.440	233.271	46.288	46.654
Adjustment for amortizations	2.869.359	2.740.319	573.872	548.064
Provision for unused vacations	347.801	350.469	76.516	77.103
Provision for law suits	519.612	549.765	114.315	120.948
Adjustment for deferred incomes	8.138.889	10.097.222	1.790.556	2.221.389
Provision for employee termination benefits	568.273	675.428	125.020	148.594
Adjustment for borrowings	41.539	72.697	9.139	15.993
<b>Toplam</b>	<b>13.114.612</b>	<b>15.477.982</b>	<b>2.823.198</b>	<b>3.345.686</b>
<b>Deferred tax liabilities</b>				
Unearned finans incomes	(132.357)	(98.918)	(29.116)	(21.760)
Adjustment for time deposit	(188.224)	(10.727)	(41.411)	(2.362)
Accrued trade receivable corrections	(768.325)	-	(169.032)	-
Adjustment for depreciations	-	(2.694)	-	(539)
Capitalized development costs (“Java based HBYS”)	(4.396.079)	(4.396.079)	(879.216)	(879.216)
Capitalized development costs (“.Net HBYS”)	(3.147.594)	(3.147.594)	(629.519)	(629.519)
<b>Total</b>	<b>(8.632.579)</b>	<b>(7.656.012)</b>	<b>(1.748.294)</b>	<b>(1.533.396)</b>
<b>Deferred tax assets/ (liabilities), net</b>	<b>4.482.033</b>	<b>7.821.970</b>	<b>1.074.904</b>	<b>1.812.290</b>

### Movements of the deferred tax are as follows:

	01.01.-31.03.2019	01.01.-31.12.2018
Balance as of January 1	1.812.290	870.144
Deferred tax income or loss	(722.082)	892.033
Deferred tax reduced from equity	(15.304)	50.113
<b>Balance at the end of the period</b>	<b>1.074.904</b>	<b>1.812.290</b>



# FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 31 MARCH 2019  
(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

## 28.EARNINGS PER SHARE

	01.01.-31.03.2019	01.01.-31.03.2018
<b>Sürdürülen faaliyetlerden pay başına kazanç/(kayıp):</b>		
Net profit / (loss) for the period	3.449.835	614.002
Weighted average number of shares	18.000.000	18.000.000
<b>Earnings per share</b>	<b>0,19</b>	<b>0,03</b>
<b>Earnings per share/ (loss)</b>		
Profit / (loss) for te period	3.449.835	614.002
Net period profit / (loss) of minority shares	-	-
Net period profit / (loss) of parent company	3.449.835	614.002
Weighted average number of shares	18.000.000	18.000.000
<b>Earnings per share</b>	<b>0,19</b>	<b>0,03</b>
	<b>31 March 2019</b>	<b>31 December 2018</b>
Number of weighted shares at the beginning of the period	18.000.000	18.000.000
Number of shares issued within the period	-	-
Number of shares at the end-of-period	18.000.000	18.000.000

## 29.FOREIGN CURRENCY POSITION

### Foreign currency positions.

Foreing currency risk is a financial risk which arises from currency exposures. The Compnay does not have any asset and liability in foreign currency.

## 30.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's main risks arising from financial instruments are interest rate risk, liquidity risk and credit risk.

### Capital Risk Management

The Company; as well as in the previous period, the capital adequacy of the debt / equity ratio monitors. This ratio is calculated by dividing net debt to total equity. Net debt, total debt net of cash and cash equivalents shown in the balance sheet as borrowings, trade and other payables are deducted.

	31 March 2019	31 December 2018
Total Liabilities	74.563.679	72.894.627
Less: Cash and cash equivalents	(6.516.389)	(6.095.046)
Net Liabilities	<b>68.047.290</b>	<b>66.799.581</b>
Total Equity	<b>56.101.141</b>	<b>52.597.045</b>
<b>Net Liabilities / Total Equity</b>	<b>1,21</b>	<b>1,27</b>

The current ratio of liquidity ratios is as follows.

	31 March 2019	31 December 2018
Current assets	14.052.744	15.649.467
Short term liabilities	13.738.605	15.778.011
<b>Current ratio</b>	<b>1,02</b>	<b>0,99</b>
<b>Net working capital excess / (deficit)</b>	<b>314.139</b>	<b>(128.544)</b>

<b>EBITDA</b>	<b>01.01.-31.03.2019</b>	<b>01.01.-31.03.2018</b>
Net income / (loss) for the period	3.449.835	614.002
Other income / expenses from main activities, net	(1.027.707)	(221.383)
Income / expenses from investment activities, net	(402.701)	(50.068)
Depreciations expenses	1.229.374	862.737
Financing expenses	146.758	154.555
Tax income / (loss)	722.082	165.152
<b>EBITDA</b>	<b>4.117.641</b>	<b>1.524.995</b>
<b>EBITDA margin</b>	<b>37,52%</b>	<b>25,65%</b>

## **Financial Risk Factors**

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents and trade receivables. Maximum credit risk on the Company is limited to the amounts disclosed on the financial statements.

The Company maintains cash and cash equivalents with various financial institutions. It is the Company’s policy to limit exposure to any one institution and revalue the credibility of the related financial institutions continuously.

The credit risk associated with trade receivables is partially limited due to a large customer base and due to management’s limitation on the extension of credit to customers. The Company generally requires collateral to extend credit to its customers excluding its distributors.

The Society’s credit risks mainly arises from trade receivables. The Company manages this risk by limiting the duration of the credit. Credit limits are monitored regularly by the Company and the customer’s financial position, taking into account the customer’s credit quality and other factors considered. The Company does not have any derivative financial instruments. (31 December 2018: None).

### **Liquidity Risk**

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The maturity breakdown of financial assets and liabilities has been indicated by considering the period from the balance sheet date to maturity date. Those financial assets and liabilities which have no maturities have been classified under “1 to 5 years”.

Based on the expected maturity of the liquidity management of the Company, carries out under the contract in accordance with the maturity.

### **Market Risk**

Market risk due to changes in market prices, the fair value or future cash flows of a financial instrument will negatively affect a business is the risk that fluctuations.

**Interest rate risk**

Interest rate risk arises from the possibility of interest rate changes that affect the financial statements. The Company is exposed to interest rate risk because of timing differences of its assets and liabilities which is expired in a current period. There is not any risk management pattern and implementation which is defined and in Company. Company administration manages the interest rate risk by making decision and with its implementations although there isn't any risk management model defined in the Company.

As of 31 March 2019 and 31 December 2018, the Company's interest position is as follows:

<b>Financial instruments with fixed interest</b>	<b>31 March 2019</b>	<b>31 December 2018</b>
Borrowings (Not 7)	1.548.976	1.907.974
Cash and Cash Equivalents (Not 5)	6.347.418	5.794.739

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

**Fair value hierarchy table**

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs.

The Company does not have any hedge accounting practice. (31 December 2018: None).

**31. EVENTS AFTER BALANCE SHEET DATE**

There is none (31 December 2018: None).

**32. OTHER CONSIDERATIONS WHICH EFFECT FINANCIAL STATEMENTS DRAMATICALLY OR WHICH ARE NECESSARY FOR THE SAKE OF FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND APPREHENSIBLE**

There is none (31 December 2018: None).